ARIZONA DEPARTMENT OF ADMINISTRATION

STRATEGIC PLAN

FISCAL YEARS 2010-2014

ADOA – Serving State Government with Leadership, Pride and Innovation

Janet Napolitano
Governor

William Bell
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

The Arizona Department of Administration (ADOA) is comprised of the Director's Office and nine divisions: General Accounting Office, State Procurement Office, Risk Management, General Services, Human Resources, Benefit Services, Information Services, Management Services, Telecommunications Program Office and Capitol Police. These divisions provide a range of services to state agencies such as: accounting services; human resource services, including the administration of the state's health insurance program; telecommunication contract oversight and mainframe services; security for the Phoenix Capitol Mall and Tucson Office complex; management of the state's fleet; and the administration of the state's property and liability self-insurance program.

VISION

ADOA – Serving State government with Leadership, Pride and Innovation

MISSION

To provide effective and efficient support services to enable government agencies, state employees and the public to achieve their goals.

Our Values

Pride:	We care about each other, encourage personal growth and recognize accomplishments.
Service:	We strive to understand and anticipate our customer's needs and deliver services that exceed their expectations.
Quality:	We provide exceptional value and vigorously pursue improvement.
Integrity:	We accept personal responsibility and behave ethically.
Creativity:	We contribute new ideas and solutions to address the operational needs of state government.
Teamwork:	We achieve our greatest success by working together.

AGENCY GOALS

- To maintain the continuity of State government operations to ensure the safe and efficient delivery of government services

- To attract and retain a high-performance team of employees

- To aggressively pursue innovative solutions and/or opportunities

STRATEGIC ISSUES

- Attract, Retain and Educate Employees

- Information Technology Efficiencies

- Cost-Efficient and Effective Public Facilities

- Productivity, Cost-Effectiveness, and Customer Service

- Security and Safety

BUDGET

Funding and FTE Summary
(Thousands)

	FY 08 Actual	FY 09 Estimate
General	31,827.4	27,109.6
Other Appropriated	177,642.1	181,392.8
Other Non Appropriated	823,493.4	909,845.2
Federal	173.0	173.0
Program Total	1,033,135.9	1,118,520.6
FTE Positions	863.7	863.7

**Includes ADOA and State boards appropriations**

The services provided by the Arizona State Government may be more important now than ever before. There are state agencies that are devoted to health and welfare, and agencies that provide protection and safety. Agencies are devoted to transportation issues, education, natural resources, and inspection and regulation agencies. In all of these cases, the agency would not be able to function without human resources. In fact, with leaner staffing levels and tighter budgets, having the proper staffing levels and expertise is more critical today than ever. One of the key strategic issues therefore is the ability to attract and retain the highest caliber of employee possible.

The State faces significant challenges in this area, as do all employers. The worker of today expects meaningful work, they expect to be challenged, they want to see the "big picture" and to know where they fit in, they want to contribute, they demand feedback, and they crave on-going training and education. These are just some of the challenges facing the employer of today's job applicants.

The separation rate of covered employees decreased in 2008 from near historic highs over 21% in 2005. This rate represents the third consecutive year of decreasing turnover rates, returning to the rates experienced in the late 1990's.

Turnover Rates
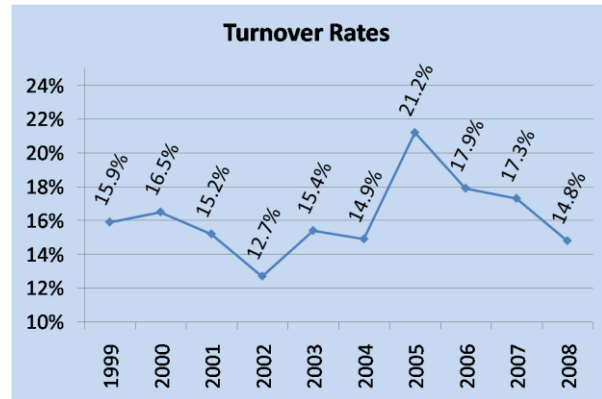
Source: 2008 State of Arizona Workforce Report. Separations are defined as covered employees leaving state service during the fiscal year (July 1 to June 30).

Percentage of Separations Due to Retirement
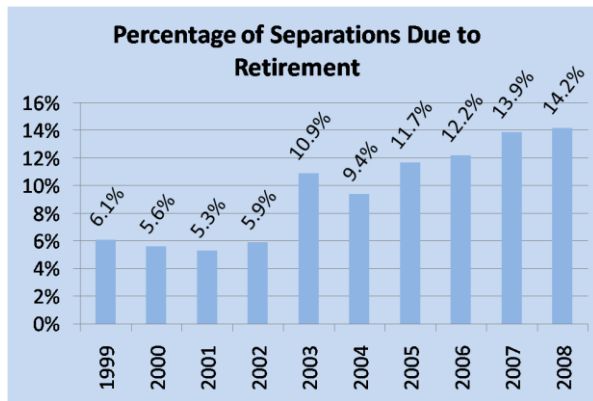
Source: 2008 State of Arizona Workforce Report.

One of the most critical issues facing the state is the ability to retain a skilled and effective workforce. This may be especially poignant with the well-documented trend of increasing retirements and the loss of institutional knowledge. The percentage of separations as a result of retirement has significantly increased over the last five years and is currently at the highest level in recent history. The average rate from 1999 through 2002 was 5.75%; the rate in 2008 was nearly 2.5 times greater.

The projections for the future suggest this pattern is not likely to change. Half of the larger state agencies are expected to have over 25% of their active workforce eligible to retire in the next five years (2008 ADOA Human Resources System Annual Report).

Strategic Issue 1 – Attract and Retain the Best Employees

Strategy #1 – Offer an attractive, competitive, and comprehensive benefits package.
- Maintain a robust and comprehensive suite of benefits.
- Offer self-insured medical plan to maximize the value of health benefits to control costs, establish a flexible plan design, and ensure performance monitoring and control.

Strategy Components:
- Establish appropriate reserves and controls to ensure fund stability and payment of all claims
- Monitor all contractors for both financial and quality performance measures
- Improve good customer service
- Create administrative decision processes as well as appeals and grievance procedures that are customer-friendly and easily accessed
- Assure statewide coverage and service for all benefits

Description:
The Benefit Options program converted from a fully-insured model to self-insured (for medical services only) model in 2004. Healthcare costs, complexity of delivery and resource limitations have an impact in all levels of decision making.

Assuring good coverage and overall affordability will attract recruits to state service. We seek to improve the management and delivery of services via better data, performance standards and improved monitoring of all contracts. We seek to improve the health of our members through wellness initiatives, plan design, performance contracting and data interpretation.

Key Message:

Benefit Options must balance resources against medical needs of members. Rising costs, government mandates and changing demographics drive Benefit Options plan designs and funding needs.

Resource Assumptions: (Thousands)

	FY 10	FY 11	FY 12	FY13	FY14
Medical/Dental - Claims/Premiums/Fees	804.5	875.1	952.2	1,030	1,110
Claim Reserves	70.9	77.4	84.5	92.2	98.4
FTE Positions	46	50	50	50	51

Performance Measures:

	FY 2010 Target	FY 2011 Target	FY 2012 Target	FY 2013 Target	FY2014 Target
Customer satisfaction with Benefits Services (annual ADOA Customer Survey)	6.5	6.5	6.5	6.5	6.5
Percentage of customers satisfied with the open enrollment process	98%	98%	98%	98%	98%

Strategy #2 – Improve compensation levels for state employees

Strategy Components:

- **Improve the State's market position**
  Continue the multi-year strategy and the goal to be within 95% of market by FY2011.
    - The first two years of the plan (FY 2007 and FY 2008) resulted in bringing salaries closer to market. By remaining committed to this plan, it is expected that the state could achieve the goal of being within 5% of the market.
  In order to continue the State's progress toward the goal of being within 95% of the market, salary increases should be implemented.
    - ADOA will partner with the budget offices to determine a specific recommendation when more information about the State's fiscal situation becomes available.
 Continuation of Performance Pay

Description:

The state made significant progress towards improving the position of state employee salaries to the market during FY 2007, and affirmed commitment to address salary issues with the increases budgeted for FY2008. Although the state has made significant progress toward closing the gap, the market still exceeds the state by 9.5%. In order for the state to effectively recruit and retain the key talent that is necessary in what is expected to be an ever increasingly competitive job market, the state must continue making progress at bringing salaries closer to market levels.

Key Message:
The Advisory Recommendation on State Employee Salaries, published in September 2005, outlined a multi-year strategy with a goal to bring employee salaries within 95% of market in five years. During the development of the FY2007 budget, state employee salaries were addressed early in the budgeting process and employees were provided an increase of $1,650, and a new program for performance pay was introduced which afforded eligible employees an additional 2.5%. The development of the FY 2008 budget also demonstrated a significant commitment to address salary issues with an appropriation of 3.0% and an increase of 0.25% to the performance pay program, raising the total available through performance pay to 2.75%. Unfortunately the economic health has decreased in the past year resulting in a significant deficit, and as a result in FY2009 general salary adjustments were not implemented, however Performance Pay continued.

Percent Needed to Get to Market
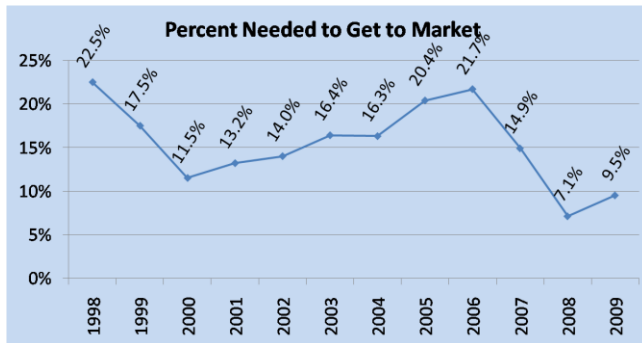
Source: Percent Needed to Get to Market is based on a suite of compensation surveys, including the Arizona Compensation Survey (previously referred to as the Joint Governmental Salary Survey). Average State Employee Salaries are based on covered employees in the ADOA Personnel System calculated as of the beginning of the fiscal year (July 1). Estimates for FY 2009 have been adjusted to account for performance pay.

Resource Assumptions: (Thousands)

	FY 10 Estimate	FY 11 Estimate	FY 12 Estimate	FY 13 Estimate	FY 14 Estimate
General Funds	Unknown	TBD	TBD	TBD	TBD
Other Appropriated Funds	Unknown	TBD	TBD	TBD	TBD
Other Non Appropriated Funds	Unknown	TBD	TBD	TBD	TBD
Federal Funds	Unknown	TBD	TBD	TBD	TBD
Total	Unknown	TBD	TBD	TBD	TBD
FTE Positions					

Performance Measure:

	FY 2010 Target	FY 2011 Target	FY 2012 Target	FY 2013 Target	FY 2014 Target
Difference in average salaries between State employees and the labor market	7.5	5	5	5	5

Strategic Issue 1 – Attract and Retain the Best Employees

Strategy #3 – Increase efficiencies and quality of statewide training (Arizona Government University)

Strategy Components:

- Phase I: Courses common across state government will be prioritized by the AzGU Governing Board and delivery will be provided by AzGU. AzGU becomes the exclusive provider of 17 initial courses beginning July 1, 2006.

- Phase II: Courses will be updated and revised on an annual review cycle. Curriculum development will expand the use of distance learning and self-paced instruction where appropriate.

- Phase III: AzGU will continue development of the Supervisor Certificate program and Manager Institutes training modules based upon outcomes of an extensive needs analysis.

Description:

Arizona state government turnover rate is 14.8%. Research indicates that employees leave supervisors, not jobs and when employees feel they have the opportunity for their own development their job satisfaction increases. It is imperative that state government increase the availability, quality, and efficiency of core learning opportunities across state agencies.

One of the strategies that state government is pursuing to address this challenge is to develop and promote Arizona Government University (AzGU).

Key Message:
Arizona is the first state to take a corporate university model and build a collaborative, systemic approach to workforce development. AzGU is the centralized administrator for training activities in the state of Arizona for common content across all agencies. AzGU's commitment is to deliver a cost-efficient, cost-effective employee development program that assures access to all executive agency employees of the state of Arizona. In 2008, AzGU was honored by the Council of State Governments with the Innovations Award.

Resource Assumptions:

	FY10 Estimated	FY11 Estimated	FY12 Estimated	FY13 Estimated	FY14 Estimated
General Funds					
Personnel Division Funds	$490,212	$490,212	$490,212	$490,212	$490,212
Capitated agency payments	$181,310	$181,310	$181,310	$181,310	$181,310
Variable agency payments	$819,112	$819,112	$819,112	$819,112	$819,112
Total	$1,490,634	$1,490,634	$1,490,634	$1,490,634	$1,490,634
FTE Positions	14	14	14	14	14

Notes/Assumptions: As of FY06 AzGU is a "cooperative" governed by a Governing Board of major agency directors, a representative from the Boards and Commissions, and the Governor's Office. In FY06 agencies began phasing out their training and moving the training in stages to AzGU. In the past few years, AzGU has been increasing training activity and staffing as agencies transition their training responsibilities to AzGU, however, with the downturn in the economy and tightening of agency budgets, were are anticipating a 10% reduction in FY2010. The current funding model for AzGU includes three funding sources: a portion of the Personnel Division fund, a capitated fee of $8.00 per person based on the number of people in participating agencies, and a use fee of $10.50 per hour for training actually used by the agency.

Performance Measures:

	FY09	FY10	FY11	FY12	FY13	FY14
Goal 1: Increase the efficiency of training in Arizona State government						
Average cost per trainee	$10.50	$10.50	$10.50	$10.50	$10.50	$10.50
Number of trainee hours delivered.	100,000	90,000	90,000	90,000	90,000	90,000
Revenue generated through trainee delivery	$910,124	$819,112	$819,112	$819,112	$819,112	$819,112
Average class size	20	20	20	20	20	20
Goal 2: Increase the quality of Arizona Government training						
Percentage of "satisfactory" or "excellent" evaluations	85%	85%	85%	85%	85%	85%
Percentage of end of course evaluations received.	85%	85%	85%	85%	85%	85%
Percentage of follow-up evaluations received.	10%	10%	10%	10%	10%	10%
Percentage of follow-up evaluations indicating the student was able to apply the training.	75%	75%	75%	75%	75%	75%
Goal 3: Increase the availability of training to Arizona government employees						
Percentage of distance learning usage versus classroom training	10%	10%	10%	10%	10%	10%
Percentage of AzGU's training delivered outside of Maricopa County.	15%	15%	15%	15%	15%	15%
Average monthly training hours delivered through i-Linc	15	15	15	15	15	15
Goal 4: Decrease the dependency of AzGU on Board member funding						
Percentage of participation in AzGu training by non-board participants.	15%	15%	15%	15%	15%	15%

Strategic Issue #2
Information Technology Efficiencies

Problem: Current movements in government envision benefits from the convergence of data, voice and video platforms as the most cost-effective means to technology efficiency. It is imperative that opportunities to collaborate on the delivery of technology support for business solutions and to provide outstanding service delivery be continuously explored and utilized whenever possible.

The state moved into the telecommunications privatization to improve services and create efficiencies from an enterprise perspective to maximize the state's potential buying power, enable higher levels of technology, and ensure that the most secure, efficient and effective technology systems are utilized statewide.

It is the belief of ADOA that segmented approaches to telecommunications and data technologies consist of unnecessary duplications, overlap and waste. ADOA is in the process of working with other state agencies to identify opportunities for cooperative collaboration and unique solutions. An example would be the ADOA Server Consolidation and Intergration Facility Initiative (SCIFI). Seven Agencies, Boards and Commissions are co-locating their information technology equipment into the ADOA DataCenter and several others are pending. This will save the State in cost avoidance to upgrade their location (staffing backup generators, security, etc.). It is critical that potential solutions be thoroughly researched and compared for opportunities within the enterprise, beyond the silo business need. This type of comprehensive infrastructure should provide the highest level of quality and cost effectiveness, allow maximum return on the State's valuable resources, and ensure effective and affordable state-of-art business solutions.

These strategies should also apply beyond the infrastructure to the core services facilitating the business of government. Therefore, adoption of standards and processes for delivering innovative services for business functions utilizing technology are needed. Additionally, defining services, initiatives, and applications in terms of their value to the enterprise (the State) will ensure maximum benefit potential for all state agencies. An example of this is ADOA's undertaking with the Human Resources Information Solution (HRIS) project. In early 2002, the ADOA awarded a contract to replace the current personnel, payroll, and employee benefits systems. HRIS replaced the existing applications in December 2003 with a single, integrated system that is shared by all state agencies, branches, and departments of state government. HRIS implementation is a partnership of the State of Arizona, its agencies and employees with IBM, implementing Lawson software. These opportunities have been expanded with the adoption of a new recruitment and hiring portal, Hiring Gateway, facilitating the hiring process for agencies in an electronic forum. In another recent example, ADOA, through the Value in Procurement (VIP) program is working with all state agencies to secure the resources for an enterprise-wide purchasing system. A significant component to the infrastructure and services is securing these systems for the public trust. This will require adequate security mechanisms that can only be attained through adherence to security architecture standards established and controlled through a cooperative federated model.
Strategic efforts are underway to provide with continuity of state government in the event of a Pandemic or a Disaster.

Opportunity exists to effectively use common resources for agencies to build a Backup Recover Data Center farther away from the Capitol Mall where at least two primary data centers exist. This creates the need to fund a Remote Backup Site in FY10.

Strategic Issue 2 – Information Technology Efficiencies

Strategy #1 – Privatization of statewide Telephony and Wide Area Network (WAN) **Strategy Components:** • Telephone systems • Data networks • Staffing	**Description:** Laws 2003, Chapter 263, Section 101 required the Government Information Technology Agency (GITA), in consultation with the Arizona Department of Administration to prepare and submit to the JCCR an actionable request for proposals (RFP) to privatize the state's telecommunication services. This process was completed with an award to the Accenture Corporation. Implementation of the program began in January, 2005.

Key Message:

The benefits of privatizing:

- *Leverage the private sector to provide expertise in converged networks where the state can not retain staffing or resources.*
- *Leverage the private sector to provide up front capital investment for the state migrating towards converged networks.*
- *Leverage economies of scale in savings to the state as identified in the "Report to: Joint Legislative Budget Committee Arizona Telecommunications Services November 2002".*
- *Leverage new technologies to enhance productivity and efficiency in delivering government services to the citizens of Arizona.*

Resource Assumptions:

	(Thousands)				
	FY 2010 Estimate	FY 2011 Estimate	FY 2012 Estimate	FY 2013 Estimate	FY 2014 Estimate
General Funds	$ 18,091	$ 18,156	$ 18,222	TBD	TBD
Other Appropriated Funds	$ 18,918	$ 19,258	$ 19,597	TBD	TBD
Other Non Appropriated Funds	$10,029	$ 10,394	$ 10,760	TBD	TBD
Federal Funds					
Total	$ 47,039	$ 47,809	$ 48,580	TBD	TBD
FTE Positions	N/A	N/A	N/A	N/A	N/A

Notes/Assumptions: This program does not include support for the university systems, local governments, or school districts. Services to these state agencies are provided through fees for service by the AZNet and will still require a Telecommunications Program Office. Current AZNet contract will expire in January 2012. Existing rates assumed for all of FY 2012. New contract will determine funding needs for FY 2013 and FY 2014. * Amount does not include all infrastructure needs required to address replacement of existing end-of-life and antiquated equipment.

Performance Measure:

	FY 2010 Target	FY 2011 Target	FY 2012 Target	FY 2013 Target	FY 2014 Target
Percentage of executive agencies utilizing common resources and services for telecommunications needs (weighted by total cost of ownership)	100%	100%	100%	100%	100%

Strategic Issue 2 – Information Technology Efficiencies

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Strategy #2 – Provide common statewide infrastructure for multiple agency functions.
Strategy Components:
- Business Continuity Recovery, Storage services and redundancy
- Open-sourced platforms leveraging existing infrastructure
- Secure application services
- Services such as web hosting, database hosting, financial accounting (replace AFIS), and a procurement management system
- Remote Backup Data Center

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Description:

In order for the Department of Administration to provide maximum efficiency and best value, ADOA must prepare for new and evolving technologies and expected services they make possible - primarily web based transactions, business partner data exchanges, growing complexity in security and business continuity requirements.

The costs associated with this new service offering will be recovered through fees to customer agencies.

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Key Message:
The proposed strategies will:
- *Allow the enterprise to maintain pace with the ongoing demands of the enterprise user and the customer base.*
- *Facilitate cross agency interoperability of application development and support.*
- *Enable the server consolidation into the ADOA Data Center for business and service integration activities and simple development growth of large agency customers.*
- *Enable Multi-Agency Remote Backup of Mainframe and Open Systems.*
- *Enable compliance with regulations such as the Federal Health Insurance Portability and Accountability Act (HIPAA).*
- *Implement a "state-owned" disaster recovery strategy and resources for use across the enterprise. Resource requirements to be determined at a later date.*

	(Thousands)				
	FY 2010 Estimate	FY 2011 Estimate	FY 2012 Estimate	FY 2013 Estimate	FY 2014 Estimate
General Funds					
Other Appropriated Funds	$338**	$338*	$338*	$338*	$338*
Other Non Appropriated Funds					
Federal Funds					
Total	$338	$338	$338	$338	$338
FTE Positions	1	1	1	1	1

These estimates are only for expenses related to Business Continuity Recovery and related storage services.
*Includes one time software upgrade charges and hardware upgrades.
**Additional upgrades, that are not included in these figures, may be required. ADOA believes it is premature to include costs for these upgrades when customer agencies are considering changes in their infrastructure strategies.

Notes/Assumptions: Historically growth in customer services has required upgrades of the ADOA infrastructure annually. As more agencies focus on delivering e-government solutions, ADOA anticipates these needs to rise and a common set of services to overall be more efficient and effective.

Performance Measure:

	FY 2010 Target	FY 2011 Target	FY 2012 Target	FY 2013 Target	FY 2014 Target
Number of agencies utilizing business continuity service offerings *	5	40	60	70	70
Number agencies utilizing open platform offerings **	10	25	35	55	55
Number agencies utilizing secure application services ***	50	60	70	80	80

* Performance dependent upon establishment of infrastructure to support mainframe disaster recovery and growth into server farm backup and recovery
** Performance dependent upon adoption of target open source platforms in enterprise architecture and migration of agencies to web based transactions on portal
*** Performance dependent upon adoption of common business standards by agencies to comply with digital security regulations such as the Health Insurance Privacy and Accountability Act (HIPAA)

Strategic Issue #3
Cost Efficient and Effective Public Facilities

Problem: Deteriorating Key Infrastructure

The ADOA Building System has an inventory of 3,282 structures with an estimated current replacement value of $2.8 billion. The structures in the Building System are in poor condition due to a chronic lack of funding for basic routine and capital maintenance. It is absolutely necessary to have building renewal monies for critical major maintenance and replacement of deteriorating key infrastructure. The postponed major maintenance requirements have created highly disproportionate and expensive utility, repair, maintenance, and replacement expenditures in deteriorating, poorly performing facilities.

As a direct result of funding shortfalls, the Building System has amassed an astounding $279.3 million of deferred (backlogged) capital maintenance. ADOA is facing the long-term consequences of neglecting the maintenance of its facilities. Over 20 years' accrued deferred maintenance has caused ADOA to routinely practice "crisis mode" maintenance and repair operations, causing highly disproportionate and expensive energy/utility, repair, maintenance, and replacement costs. Major equipment breakdowns, system failures, and physical plant shutdowns, typically at the most inopportune times, are becoming increasingly more common.

The Building System is dependent upon appropriations of limited General Fund (GF) and Capital Outlay Stabilization Fund (COSF) monies to annually fund its building renewal needs. In the last 20 years, ADOA building renewal has been fully funded only twice. Over the last 10 years, ADOA was appropriated a total of just $61 M, although the building renewal formula called for $229 M. In FY 2009, ADOA was appropriated only 20% of the formula ($6.1 M) from the Capital Outlay Stabilization Fund (COSF) and nothing from the General Fund, although COSF collects rent from only 36 buildings and cannot support over 3,200 buildings. Since FY 2000, 92% ($43.8 million) of building renewal appropriations were made exclusively from COSF.

COSF is in a state of crisis. Incredibly, the COSF revenue-generating structures represent just 7.3 % of the Building System's approximate 18.4 million gross square feet and only 1.3% of the Building System's total structures. Of the approximate 2.7 million rentable square feet space ADOA is tasked with supporting, only 44% (36 buildings) generate the funding; 56% of the structures ADOA supports do not contribute to COSF in rents or operating costs for the foregoing services.

ADOA recognizes the current budget shortfall, but recommends working toward 100% funding of the building renewal need for its building system. Full funding of the formula is necessary to sustain the current condition of the Building System and slow the rate of deterioration of critical assets. When funding becomes available, ADOA recommends that the building renewal appropriations also include *an additional $30 million per year* dedicated to a multi-year plan to mitigate and rectify the detrimental effects of the Building System's approximate $279 million of deferred maintenance.

The ADOA FY 2010 Capital Improvement Plan submitted in October 2007 made recommendations to enhance COSF resources and spread costs more equitably across the Building System. If adopted, the following changes would facilitate a self-sufficient funding mechanism for operating and maintaining structures managed by ADOA, including lease-purchase facilities and legislative buildings:

➤ Charge a COSF rental rate for State-owned office space of 90% of the private sector market for Class B commercial space at $23.50 for FY 2010 and $24.20 for FY 2011.
➤ Charge a COSF rental rate for State-owned storage space of 90% of the private sector market for storage space at $8.30 for FY 2010 and $8.60 for FY 2011.
➤ Extend COSF rental rate charges for office space and storage space to Legislative buildings.
➤ Charge ADOA-managed lease-purchase facilities their associated operations and maintenance and building renewal charges for deposit to COSF.

Calculate COSF rent charges based on space measured in "rentable square feet," which is the industry standard, in lieu of the current methodology of rent based on "usable square feet."

Strategic Issue 3 – Cost Efficient & Effective Public Facilities

Strategy #1 – Fully fund annual Building Renewal Formula, plus additional $30 million annually for deferred maintenance.

Strategy Components:

➢ Emphasize the financial and physical consequences of deferred maintenance caused by failing to fully fund building renewal.

➢ Enhance COSF resources to encourage "self-support" of building renewal formula.

➢ Implement a consistent and justifiable methodology for measurement of office and storage space.

➢ Expose actual conditions and risks of deteriorating and poorly performing facilities.

➢ Assign a value to the highly disproportionate and expensive utility, repair, maintenance, and replacement expenditures.

➢ Identify and prioritize projects by life and health safety, mission critical status, and increased operational efficiency and value.

➢ Monitor and implement processes to efficiently manage building renewal projects.

Description:

The structures in the Building System are in poor condition due to a chronic lack of funding for basic routine and capital maintenance.

The statutory Building Renewal Formula calculates required funding for major maintenance of facilities to preserve and extend their useful lives. Costs to maintain the buildings in the ADOA Building System are increasing annually as the buildings age.

Currently, only the most critical of life, health and safety needs and minimal preservation of assets can be addressed with the funding provided.

Operating costs are increasing as deferred maintenance continues to accrue. Expensive emergency spending is increasing annually.

Major building systems have reached the end of their useful lives and are not operating at their optimal or intended efficiencies, wasting precious dollars.

Insufficient funding is limiting building renewal projects to emergency replacement of failed system components rather than planned system replacements.

Major equipment breakdowns, system failures, and physical plant shutdowns, typically at the most inopportune times, are becoming increasingly more common.

Key Message: The on-going trend of significantly underfunding building renewal and the consequences of postponed major maintenance requirements have created highly disproportionate and expensive utility, repair, maintenance, and replacement expenditures in deteriorating, poorly performing facilities.

COSF is in a state of crisis. Recommendations to enhance COSF resources, including increased rates and measurement of space, would facilitate a self-sufficient funding mechanism for operating and maintaining structures managed by ADOA, including lease-purchase facilities and legislative buildings.

ADOA recommends working toward 100% funding of the building renewal need for its building system to slow the rate of deterioration of the State's critical assets. Full funding of the formula is necessary to sustain the current condition of the Building System and slow the rate of deterioration of critical assets. ADOA recommends that when funding is available the building renewal appropriations also include *an additional $30 million* per year dedicated to a multi-year plan to mitigate and rectify the detrimental effects of the Building System's approximate $279 million of deferred maintenance. ADOA will continue to use its appropriated building renewal monies to facilitate planned and emergency repairs and renovations to major building components that extend the useful lives of building assets, including, but not limited to, the abatement of environmental hazards, health and safety rectification, and the repair or replacement of supporting infrastructure.

Resource Assumptions:

Resource Assumptions (1):	FY 10	FY 11	FY 12	FY 13	FY 14
General Funds					
Other Appropriated Funds (2) (4)	$63,079,302	$66,312,008	$69,943,209	$73,937,530	$78,331,283
Other Non Appropriated Funds					
Federal Funds					
Total	$63,079,302	$66,312,008	$69,943,209	$73,937,530	$78,331,283

Performance Measures:	FY 10	FY 11	FY 12	FY 13	FY 14
Percent of ADOA managed buildings charged rent based on industry standard measurements	0%	100%	100%	100%	100%
Cumulative deferred maintenance (3) (4)	$328,577,204	$385,546,932	$451,844,834	$528,766,848	$617,774,815
Percent of GF COSF building renewal formula funded (3)	18.44%	16.80%	15.27%	13.88%	12.62%

Assumptions:

(1) Resource Assumptions reflect full funding of the GF/COSF Portion of the Building Renewal Formula plus $30 million "catch-up" funding for deferred maintenance annually

(2) Excludes dedicated Funds Source Agencies: Game & Fish, Lottery Commission, and Coliseum & Fairgrounds

(3) Figures assume continuation of FY 2009 $6.1 million appropriation for Building Renewal

(4) FY 2010 - 2014 annual Building Renewal Formula and cumulative deferred maintenance amounts are inflated by 10% in subsequent years

Strategic Issue # 4
Maximizing Productivity, Cost Effectiveness and Customer Satisfaction

Problem: The mission of the Arizona Department of Administration (ADOA) is to provide effective and efficient support services to state agencies, state employees, and the public, enabling them to achieve their goals. Further, ADOA is committed to providing services that are valued by its customers, while meeting or exceeding its customers' needs. In 2005 ADOA assessed the satisfaction rating of 70 distinct services that are offered to a customer base that includes approximately 9,000 retirees and over 62,000 active state employees from over 100 state agencies, boards and commissions and 3 state universities. The available services include statewide financial services, facilities management, human resources management, information services, fleet management, administrative management services, and police services for the capitol mall in Phoenix and the state mall complex in Tucson. The value of each service provided by ADOA should meet or exceed the value of a comparable service from any other source. Because this issue is of strategic importance to the mission of ADOA, and of critical importance to state government overall, it is essential for ADOA to maximize the productivity and cost effectiveness of its services while achieving the highest possible level of customer satisfaction.
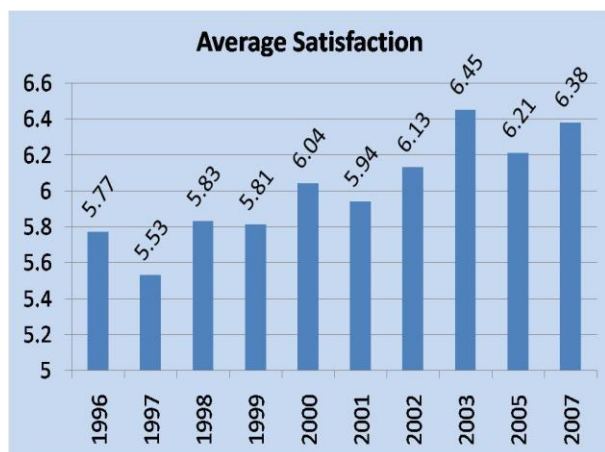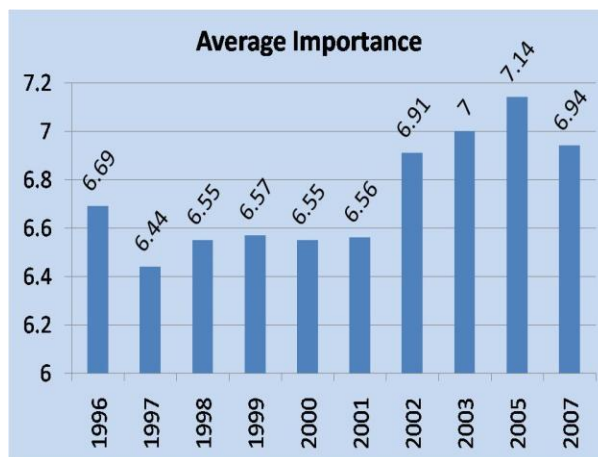
As the state considers the issues of a pandemic, the impact on state government looms large in several ways as we attempt to avoid spreading illness while continuing our necessary duties:

Ways are needed to minimize citizens needing to come to a state office.

Ways are needed to minimize employees needing to come to their office location.

Ways are needed to reroute business activities when employees are unable to work.

These requirements lead to a need to alter state business activities: A need to enable more and more state employees to be able to work from home or other remote location. This requires infrastructure for telework, digital imaging of documents and an electronic document management capability. It is now possible for a citizen who has moved to update their drivers license and voter registration online. Many other citizen and business services can be done online but there are many more to be online enabled. ADOA can assist other agencies, boards and commission in doing this. These activities not only help prepare the state for a pandemic but can also improve productivity, customer satisfaction and reduce costs.

Customer Satisfaction

Average Importance

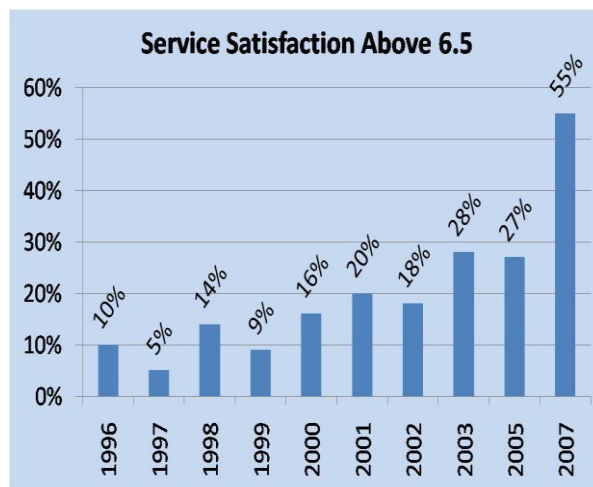| Year	Value
1996	6.69
1997	6.44
1998	6.55
1999	6.57
2000	6.55
2001	6.56
2002	6.91
2003	7
2005	7.14
2007	6.94

Importance – In the external survey, customers were asked to consider all of the services ADOA provides and to give an overall rating. In 2005, customers gave an average importance rating of 7.14, which, is the highest score ever received in the history of this survey.

Average Satisfaction

Year	Value
1996	5.77
1997	5.53
1998	5.83
1999	5.81
2000	6.04
2001	5.94
2002	6.13
2003	6.45
2005	6.21
2007	6.38

Satisfaction - Customers also provided an overall rating of satisfaction for the agency. The average rating was 6.21 out of a possible 8.0. Although not as high as last year's rating, it was above the 4-year average, and is the second-highest rating ever received.

Other 2007 Agency-level Indicators

• 56 of 67 services (84%) increased their level of satisfaction from their average satisfaction over the past 4 years
• 11 services (16%) experienced a decrease in satisfaction compared to their average over the past 4 years
• 39 services (55%) received satisfactory ratings over 6.5 (up from 27% on the last survey)
• 60 services (85%) received satisfactory ratings over 6.0 (up from 69% on the last survey)
• For the first time in ADOA's history, no service received an overall dissatisfactory rating
• Of those services that had satisfaction scores less than 6.5 last year, 38 (83%) showed an increase in satisfaction (up from 47% on the last survey)

Service Satisfaction Above 6.5

Year	Value
1996	10%
1997	5%
1998	14%
1999	9%
2000	16%
2001	20%
2002	18%
2003	28%
2005	27%
2007	55%

Strategy #1 – Non-Financial Impact

Strategy Components:
- Use the analysis of performance data to identify opportunities for improvement in under-performing programs and/or services.
- Prioritize the identified opportunities for improvement based on the importance of the service(s) to the customer base.
- Improve the customer satisfaction of under-performing services through a make or break evaluation which includes an examination of unit shortfalls/problems and a plan to
1) Improve the service, 2) pursue outsourcing opportunities and/or 3) eliminate the service.

Strategy #2 – HRIS

HRIS is engaged in a significant upgrade, HRIS 2.0, which will provide a more integrated and standardized software suite and will facilitate increased offerings to customers. Specific future components are identified and prioritized in a collaborative manner with customer agencies.

HRIS 2.0 will provide:

- Improved Business Process automation
- Enhanced Employee Self Service and Manager Self Service capabilities
- Enhanced Reporting, including Data Warehouse
- Significant infrastructure improvements, including improved ability to apply industry updates and a more robust security model
- A foundation for providing new capabilities such as Employee Time Entry, and Performance Management

Description:

HRIS is an integrated human resource, benefits and payroll system for the State of Arizona.

HRIS replaced a 30-year old mainframe system in December of 2003 with a flexible, scalable and supportable hardware and software solution that builds the foundation for e-government.

Resource Assumptions:

			(Thousands)		
	FY 10	FY 11	FY 12	FY 13	FY 14
General Fund					
Other Appropriated Funds	$9,039	$9,189	$9,989	$9,394	$9,394
Other Non Appropriated Funds					
Federal Funds					
Total *	$9,039	$9,189	$9,989	$9,394	$9,394
FTE Positions	30.0	30.0	30.0	30.0	30.0

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Strategy #3 – Financial Impact – Arizona Financial Information System

Strategy Components:

The data warehouse would be developed for use with the current state systems (such as AFIS.) Implementing the data warehouse will allow the State to bridge to the new systems technology without creating problems with the current outdated technology that AFIS is built upon. It will also allow for the eventual consolidation of financial information for the State, and will provide the end users and analysts with easy access to measurable results and complex data analysis.

Although the implementation of the data warehouse will somewhat resolve the AFIS reporting problems, it will not resolve the underlying issue of using an aging system. AFIS is built on an outdated technology that limits our ability in getting into the e-commerce era to take advantage of what web-based systems can offer. The use of Electronic Data Interchange (EDI) remains very limited and manual processes cannot be easily automated. Additionally, AFIS provides limited or inadequate management information. This is true with other financial systems used by the State agencies. The preferred alternative is to replace AFIS along with other State agencies' systems with an integrated financial system that is built on the modern technology with imbedded efficiencies. As part of the implementation of the new system, many processes can be evaluated and re-engineered to improve efficiency and increase automation while enhancing the availability of information. Also, the implementation of the new system can consolidate many financial systems into one uniform system. For the first time in decades, all financial data can reside in one place. By implementing a statewide integrated financial system, the statewide information can be readily available for review and/or analysis.

Here are the proposed phases of the project:

Phase I - FY 2009 – Prepare project plan, evaluate 'AS-IS' processes, develop process re-engineering and prepare RFP

Phase II - FY 2009 & 2010 – Review and evaluate proposals, select vendor and conduct process improvement (re-engineering)

Phase –III - FY 2010-2011 – Develop comprehensive project plan, assemble project team and conduct software training

Phase IV - FY2011-2014 – Implement the system in multiple sub phases, train users, convert the old data, go live with the first sub-phase on July 1, 2013.

Description:

AFIS is Arizona's statewide financial information system. Although it is adequate to perform basic accounting functions in state government, this system is notably deficient in its ability to extract information which is needed by agency management to perform various budgetary and financial analyses. AFIS does not provide some key functionalities such as: Purchasing, Grant reporting, Project billing, cost accounting, budget preparation, cash management (Treasury functions), accounts receivable, insurance claim processing, and e-commerce.

The AFIS system's weaknesses require that the department begin the process of replacement while simultaneously increasing the immediate usefulness of AFIS. Because the implementation of an AFIS replacement requires extensive planning and coordination with all State of Arizona entities, it is anticipated that such an implementation will take at minimum of 5 years.

Key Message:

Expansion of the data warehouse will address one of the fundamental problems (lack of additional and effective reporting) in AFIS. Lack of sufficient reporting capabilities and lack of consistent information within the AFIS system are the major contributors to this problem. In addition, this will address some immediate needs by providing the budget offices and agency management significant expanded capability, such as "what if" analyses. The results of these analyses would likely lead to substantial cost savings.

The department also recognizes that in the long-term, the AFIS system will have to be replaced. The measures cited above will enable the department to continue maximizing productivity in a cost effective manner that provides for a high level of customer satisfaction while embarking on the monumental task of replacing AFIS.

Resource Assumptions:

	(Thousands)				
	FY 10	FY 11	FY 12	FY 13	FY 14
General Fund					
Other Appropriated Funds					
Other Non Appropriated Funds					
Federal Funds					
Total *	$17,000.0	$24,000.0	$30,000.0	$30,500.0	$30,500.0
FTE Positions	0	0	0	0	0

* Fund Sourcing may fluctuate over time.

Performance Measure:

	FY 2010 Target	FY 2011 Target	FY 2012 Target	FY 2013 Target	FY 2014 Target
Customer Satisfaction rating of Reporting and Availability of AFIS information	N/A	6.0	6.5	6.5	6.5
Percentage of agencies utilizing purchasing system or interfacing to AFIS with normalized purchasing information (weighted by spending authority)	60	80	90	90	90

* We will have to establish benchmarks for the new integrated financial system when it is implemented, these benchmarks will then form the basis for performance measures.

Strategy #4 – Financial Impact – 9-1-1 Program

Strategy Components:
Implement through local community coordinators the 9-1-1 program to include wireless:

- Continue deployment of Phase II wireless implementation.
- Continue deployment of Wireline Enhanced 9-1-1.
- Review and approve budgets for 9-1-1 network, equipment, maintenance, addressing programs and development of 9-1-1 specific GIS data.
- Work toward deployment of Next Generation (NG) 9-1-1 transitioning the existing analog network to digital network.

Description:

The 9-1-1 program is charged with providing guidance and direction and acting as a liaison to ensure when a citizen dials 9-1-1, the call goes to the right 9-1-1 Center the first time. Funding oversight is done on a statewide basis. Monies in FY 2008 are necessary to meet the operational requirements of more than 100, 9-1-1 centers statewide and to continue Wireless Phase I and Phase II deployment.

Resource Assumptions:

	(Thousands)				
	FY 2010 Estimate	FY 2011 Estimate	FY 2012 Estimate	FY 2013 Estimate	FY 2014 Estimate
General Funds					
Other Appropriated Funds					
Other Non Appropriated Funds	33,653	35,074	26,783	28,657	30,662
Federal Funds					
Total *	33,653	35,074	26,783	28,657	30,662
FTE Positions	5.5	5.5	5.5	5.5	5.5

*Currently soliciting data from communities on their requirements for FY 2008 through FY 2013

Strategy #5 – Value in Procurement (VIP)

SPO achieved the goal for Value in Procurement in October, 2007 with estimated savings over #136.4M with its strategic sourcing initiative. SPO continues to monitor and administer the statewide strategic contracts to ensure continued improvement and increased value for the State and its political subdivisions. SPO further continues its strategic practices on all new contracts.

Problem: The safety and security of the state's personnel, workplace and information systems are essential to maintaining the day-to-day activities of state government. World and national events have led to a heightened awareness of potential vulnerabilities in these state systems. Moreover, growth on the Capitol Mall, which includes four new buildings and an additional 4,000 state employees, has diminished the ability of the ADOA to address critical security and safety needs. There are three critical areas of safety and security that need to be addressed: Capitol Police, Physical Security and Information Technology Infrastructure Security.

Capitol Police: Capitol Police is charged with providing security and police services to state agencies in the Capitol Mall area of Phoenix and the State Office Complex in Tucson. Budget reductions in the 2002 Legislature, 6th Special Session, resulted in a 13% reduction in the Capitol Police operating budget. Also, Capitol Police was appropriated 4 additional Police Officer positions for FY 03 in the original FY 02 and FY 03 budget to address the growth of new building and additional employees at the State Capitol. The appropriation was later repealed and the additional officers were never added. In addition, the current salary levels offered by Capitol Police are among the lowest in the Phoenix Metropolitan area making it extremely difficult to attract and retain the highest level of police professionals possible. Further budget reductions since 2002 have and will result in greater challenges with providing the highest level of police services possible.

The issue of the police-to-population ratio in the Capitol Mall Complex is surprising when compared to a similar size area and police force. Currently, approximately 16 out of 28 sworn officers serve as active patrol in the Capitol Mall Complex which covers an area of roughly 4.5 square miles. Located in this area are approximately 14,000 state employees and an estimated 1,164,651 visitors per year that come to the Capitol Mall. The area is situated within some of the highest crime grids for the City of Phoenix as well as being adjacent to the County Homeless Shelter where numerous services for the homeless are offered. The potential for employees and visitors becoming crime victims at the Capitol is a real possibility with the Capitol Police being one of the main deterrents. In addition, the Capitol should also be considered a possible terrorist target. The Capitol Police are responsible for ensuring that security, safety and order are maintained.

In comparison, the City of Tolleson Police Department has 21 officers who patrol an area of roughly 6 square miles and a resident population of 5,500. Both the Capitol and Tolleson have almost the same amount of officers who cover roughly the same amount of area, but the population density is much greater for the limited number of officers with the Capitol Police. The police-to-population ratio of Tolleson is approximately 1 officer per 262 residents. In contrast, the police-to-population ratio of the Capitol Police excluding residents and visitors is 1 officer per 623 state employees.

Physical Security: The General Services Division (GSD) of ADOA is responsible for the physical security of the buildings on the Capitol Mall and at the State Office Complex in Tucson (and offsite locations), as well as the badge function. Due to the new state office buildings and parking garages, and the corresponding increase of 4,000 employees, additional personnel are required to perform the electronic security/locksmith tasks efficiently, effectively and timely.

Information Technology Infrastructure Security: The existence of ongoing network security vulnerabilities can present an increasing risk of legal liability regarding due diligence, privacy, theft, loss or destruction of information.   Failure to secure digital records and communications puts citizens and the state's partners and customers at risk. Risk comes in many forms, including: disclosure of personal identifiable information, physical harm to individuals, financial loss, reputation harm and lost productivity.

Strategy # 1 – Information Technology and Digital Business Practices

Strategy Components:
- Establish Information Technology and Digital Business security protections to support agencies in securing the communication of their information
- Establish security practices so that ADOA business units and other agencies are able to create, manage and distribute their digital business records and communications with confidence in:
  - Their integrity,
  - The safe guarding of confidential information contained in them, and
  - Their reliable, usable retention as required as public records.

Description:

We must be able to detect, deter, assess, warn of, respond to and investigate unlawful acts involving communication and information technologies. The existence of ongoing network security vulnerabilities can present an increasing risk of legal liability regarding due diligence, privacy, theft, loss or destruction of information.

Failure to secure digital records and communications puts citizens and the state's partners and customers at risk. Risk comes in many forms, including: disclosure of personal identifiable information, physical harm to individuals, financial loss, reputation harm and lost productivity.

Securing digital records and communications requires an ongoing evaluation of risks and mitigation strategies as digital technologies change and the state's infrastructure and digital business practices evolve.

Key Message:
Providing enterprise business technology security services will enable agencies to layer agency security upon this core protection. This will improve and increase security overall across the State enterprise, while also lowering the total cost to the State by eliminating redundancy in implementing this layered security approach and best business practices:
__FY08-__ Finalize work with the privatized telecommunications provider to redesign and secure the state information technology infrastructure as core service to state agencies. Review and implement statewide public key infrastructure and lightweight directory access protocol for authentication and protection of public information from modification during information exchange between the state government and all interested parties. Resource requirements are to be determined at a later date.
__FY09/10-__ Continue to apply enterprise wide security practices and procedures and develop distributed authority and security administration to the individual state agencies. Enhance secure transports, operational environments and business continuity efforts for rapid restoring in coordination across the enterprise and agencies. Implement statewide authentication and authorization services to support web based transactions of e-government.

Resource Assumptions: ADOA is meeting with the Government Information Technology Agency, the Department of Emergency and Military Affairs, the Arizona Office of Homeland Security and the state agencies to design the appropriate infrastructure, identify staff and equipment needs, and determine how to best implement into the overall state system.

(Thousands)

	FY 2010 Estimate	FY 2011 Estimate	FY 2012 Estimate	FY 2013 Estimate	FY 2014 Estimate
General Funds					
Other Appropriated Funds	338	338	338	338	338
Other Non Appropriated Funds					
Federal Funds *(Dept. Homeland Security Grants)*					
Total *	338	338	338	338	338
FTE Positions**	1	1	1	1	1

* Subject to available funding, ADOA will seek federal grants from Homeland security for integrating the work of this project with the communications infrastructure of the first line responders.

Performance Measure:

	FY 2010 Target	FY 2011 Target	FY 2012 Target	FY 2013 Target	FY 2014 Target
Percentage of network redesign implemented	100	100	100	100	100

Strategy # 2 – Building Security Assessments

Strategy Components:
- Implement priority one and two recommendations of the 2001 Capitol Mall Security Assessment of the ADOA operated facilities, which include replacing old outdated locksets, card readers, and adding panic buttons and additional card readers.

Description:

In October and November of 2001 the Capitol Police and Risk Management staff assessed 62 buildings within the Capitol Mall and Tucson Complex for safety and security. This resulted in approximately 1000 recommendations needed to improve the safety and security for employees, visitors and elected officials. The implementation of these critical recommendations is essential to the day to day activities of government.

Resource Assumptions:

Description of funding source required	FY 2010 Estimate	FY 2011 Estimate	FY 2012 Estimate	FY 2013 Estimate	FY 2014 Estimate
General Fund					
Other Appropriated Funds	$250.0	$250.0	$300.0	350.0	350.0
Other Non Appropriated Funds					
Federal Funds					
Total	$250.0	$250.0	$300.0	$350.0	$350.0
FTE	0	0	0	0	0

*General Services Division will incorporate the funding request into the Capital Improvement Plan and will oversee the completion of the recommendations through internal assets and external contractors

Performance Measures:

Performance Measure	FY 010 Target	FY 11 Target	FY 12 Target	FY 13 Target	FY 14 Target
Respond to emergency service calls within 3 hours of call 90% of the time	97%	97%	98%	99%	99%
Improve customer satisfaction based on the annual survey	7.3	7.5	7.6	7.65	7.65
Replace outdated mechanical locksets with new high-security locksets	10 buildings	10 buildings	10 buildings	10 buildings	10 buildings
Replace old swipe card readers (by building) with new proximity card readers to reduce malfunctions	100%	100%	100%	100%	100%

Strategy # 3 – Capitol Police and Security Services to State agencies

Strategy Components:

- Provide security and police services to state agencies in the Capitol Mall area of Phoenix and the State office complex in Tucson.

Description:

The City of Phoenix has a population of 1.4 million. The Police Department has over 2,800 officers to service the city. The City of Tolleson has a population of 5,500. Tolleson Police Department has 21 officers to cover an area of 5.5 square miles compared to the 4.5 square miles in the Capitol Mall. State of Arizona employee numbers are approximately 9,964. Capitol Police has 28 sworn officers that provide protection 24/7 and work 365 days a year.

In addition to providing security for state employees, Capitol Police provide services and protection to 4,634 visitors and customers per day in the Capitol Mall. The Phoenix Street Transportation Department reports the number of vehicles driving through the Capitol Mall complex is 123,000 vehicles a day.

Police protection in this day and age is no longer a luxury; it is a smart way for government to conduct business. To meet this business demand additional officers are needed for protective patrol.

Due to the new state office buildings and parking garages, and the corresponding increase of employees, additional personnel are required to perform the electronic security/locksmith tasks in an efficient, effective and timely manner.

Capitol Police: Primary Mission – Law enforcement Duties
  i. Capitol Police needs to implement a salary increase in order to attract and retain the highest quality employees possible.
  ii. Funding for additional FTE's to meet the recommendations of the security assessment for police presence on the Capital Mall and Tucson is also needed.

Key Message:

The annual crime report for **2006 Crime in Arizona** *shows a crime clock for Arizona as follows:*

- *One major crime occurs every 1 minute 41 seconds.*
- *One violent rime every 16 minutes 57 seconds.*
- *One property crime every 1 minute 52 seconds.*
- *One theft every32 minutes 5 seconds*
- *One homicide every 18 hours 52 minutes.*
- *One arson every 4 hours 40 minutes.*
- *One stolen vehicle every 9 minutes 48 seconds.*
- *One burglary every 9 minutes 37 seconds.*
- *One robbery every 58 minutes49seconds.*
- *One forcible rape every45 hours 35 minutes.*

Resource Assumptions:

(thousands)

	FY 2010 Estimate	FY 2011 Estimate	FY 2012 Estimate	FY 2013 Estimate	FY 2014 Estimate
General Fund	$2,206	$2,206	$2,206	$2,206	$2,206
Other Appropriated Funds	$531	$531	$531	$531	$531
Other Non Appropriated Funds	$1,370	$1,370	$1,370	$1,370	$1,370
Federal Funds					
Total	$4,109	$4,109	$4,109	$4,109	$4,109
FTE	77	77	77	77	77

Performance Measures:

	FY 09 Target	FY 10 Target	FY11 Target	FY 12 Target	FY 13 Target
Reduction in reported crimes	2%	2%	2%	2%	2%
Improve customer satisfaction based on the annual survey	7.5	7.5	7.3	7.5	7.5